

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name DeWitt Area Emergency Services Authority	County Clinton
Fiscal Year End 6/30/06	Opinion Date 9/1/06	Date Audit Report Submitted to State 10/20/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

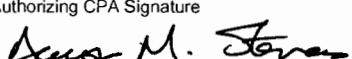
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	N/A
Other (Describe)	<input checked="" type="checkbox"/>	N/A
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517)351-6836
Street Address 3511 Coolidge Rd, Suite 100		City East Lansing
		State MI
		Zip 48823
Authorizing CPA Signature 	Printed Name Aaron M. Stevens	License Number 1101024055

**DeWitt Area Emergency Services Authority
DeWitt, Michigan**

FINANCIAL STATEMENTS

June 30, 2006

DeWitt Area Emergency Services Authority

DeWitt, Michigan

June 30, 2006

AUTHORITY BOARD MEMBERS

Mr. Gail Watkins	Chair
Mr. Don Potts	Vice-Chair
Mr. Bob McClean	Secretary/Treasurer
Mr. Bob Jesse	Board Member
Mr. Roy Thelen	Board Member
Mr. Jim Rundborg	Board Member

DeWitt Area Emergency Services Authority

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the DeWitt Area
Emergency Services Authority
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeWitt Area Emergency Services Authority as of and for the year ended June 30, 2006, which collective comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the DeWitt Area Emergency Services Authority as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 1, 2006

DeWitt Area Emergency Services Authority

Management's Discussion and Analysis

This section of the DeWitt Area Emergency Services Authority's annual report presents our discussion and analysis of the Authority's financial performance during the year ended June 30, 2006. This discussion and analysis of financial performance also provides a comparison overview of the Authority's financial activities for the fiscal years ended June 30, 2005 and 2006. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to provide citizens, taxpayers, customers, and investors with a better understanding of how the Authority's money and other assets are managed.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2006:

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$657,732 (net assets).
- The Authority's total net assets increased by \$54,156, as the result of current year activity.
- The General Fund finished the 2005-2006 fiscal year with an increase to fund balance of \$47,123. The ending fund balance for the 2005-2006 fiscal year for the General Fund was \$246,073.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the DeWitt Area Emergency Services Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the DeWitt Area Emergency Services Authority in more detail than the government-wide financial statements by providing information about the Authority's most significant funds.

The Authority as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2005 and 2006.

	<u>2005</u>	<u>2006</u>
Assets		
Current assets	\$ 188,150	\$ 255,665
Capital assets, net of accumulated depreciation	<u>430,116</u>	<u>410,515</u>
Total assets	618,266	666,180
Liabilities		
Current liabilities	<u>14,690</u>	<u>8,448</u>
Net Assets		
Invested in capital assets, Net of related debt	430,116	410,515
Restricted for contributors purpose	-	1,144
Unrestricted	<u>173,460</u>	<u>246,073</u>
Total net assets	<u>\$ 603,576</u>	<u>\$ 657,732</u>

DeWitt Area Emergency Services Authority

Management's Discussion and Analysis

The Authority's total net assets were \$657,732 at June 30, 2006. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$246,073 at the end of the fiscal year. The net assets invested in capital assets were at \$410,515. The balance of \$1,144 was restricted for contributor's purposes.

The following table shows the changes in net assets during the current and previous year.

	<u>2005</u>	<u>2006</u>
Revenue		
Program Revenue:		
Operating grants and contributions	\$ 239,350	\$ 249,300
Capital grants and contributions		59,050
General revenue:		
Other revenue	<u>4,409</u>	<u>7,899</u>
Total revenue	243,759	316,249
Program Expenses		
Public safety	<u>239,959</u>	<u>262,093</u>
Change in Net Assets	<u>\$ 3,800</u>	<u>\$ 54,156</u>

Governmental Activities

The Authority's governmental revenues totaled \$316,249 with the greatest revenue source being operating contributions from the constituent municipalities. Operating contributions from the constituent municipalities make up approximately 79 percent of total governmental revenue.

The Authority incurred expenses of \$262,093 during the year. As a special purpose government, all of the governmental expenses incurred are associated with the public safety function.

The Authority's Funds

The analysis of the Authority's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the individual funds, not the DeWitt Area Emergency Services Authority as a whole. The DeWitt Area Emergency Services Authority's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Authority's only major fund for the fiscal year ended June 30, 2006 was the General Fund.

The General Fund pays for all of the Authority's governmental services. The sole service provided during the fiscal year was emergency management, which incurred expenditures of approximately \$282,341 for the fiscal year.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Authority Board made necessary budget adjustments to fund unanticipated expenditures during the year. Total expenditures came in \$14,159 under the budgeted appropriation.

Capital Asset Administration

At the end of the fiscal year, the Authority had \$410,515 invested in emergency service vehicles and building improvements (net of accumulated depreciation).

DeWitt Area Emergency Services Authority

Management's Discussion and Analysis

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City of DeWitt Treasurer, 414 East Main Street, DeWitt, MI 48820.

BASIC FINANCIAL STATEMENTS

DeWitt Area Emergency Services Authority

STATEMENT OF NET ASSETS

June 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash	\$ 252,560
Accounts receivable	<u>3,105</u>
Total current assets	255,665
Noncurrent	
Capital assets, net of accumulated depreciation	<u>410,515</u>
TOTAL ASSETS	666,180
LIABILITIES	
Current	
Accounts payable	3,810
Accrued wages	4,299
Accrued liabilities	<u>339</u>
TOTAL LIABILITIES	<u>8,448</u>
NET ASSETS	
Invested in capital assets	410,515
Restricted for contributor's purposes	1,144
Unrestricted	<u>246,073</u>
TOTAL NET ASSETS	<u>\$ 657,732</u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities				
Public safety	<u>\$ 262,093</u>	<u>\$ 249,300</u>	<u>\$ 59,050</u>	\$ 46,257
General revenues:				
Investment income				893
Miscellaneous				4,006
Gain on sale of capital assets				<u>3,000</u>
Total general revenues				<u>7,899</u>
CHANGE IN NET ASSETS				54,156
Net assets, beginning of year				<u>603,576</u>
Net assets, end of year				<u>\$ 657,732</u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2006

	General	Nonmajor Governmental Fund	Total Governmental Funds
ASSETS			
Cash	\$ 251,416	\$ 1,144	\$ 252,560
Accounts receivable	3,105	-	3,105
TOTAL ASSETS	<u>\$ 254,521</u>	<u>\$ 1,144</u>	<u>\$ 255,665</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 3,810	\$ -	\$ 3,810
Accrued wages	4,299	-	4,299
Accrued liabilities	339	-	339
TOTAL LIABILITIES	8,448	-0-	8,448
FUND BALANCES			
Reserved for contributors' purposes	-	1,144	1,144
Unreserved			
Undesignated, reported in General Fund	246,073	-	246,073
TOTAL FUND BALANCES	<u>246,073</u>	<u>1,144</u>	<u>247,217</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 254,521</u>	<u>\$ 1,144</u>	<u>\$ 255,665</u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2006

Total fund balance - governmental funds		\$ 247,217
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	\$ 1,012,442	
Accumulated depreciation is	<u>(601,927)</u>	
Capital assets, net		<u>410,515</u>
Net assets of governmental activities		<u>\$ 657,732</u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	General	Nonmajor Governmental Fund	Total Governmental Funds
REVENUES			
Intergovernmental			
State	\$ 59,050	\$ -	\$ 59,050
City and Townships	249,200	-	249,200
Interest	893	-	893
Other	4,006	100	4,106
TOTAL REVENUES	313,149	100	313,249
EXPENDITURES			
Current			
Salaries and wages	61,208	-	61,208
Fringe benefits	11,223	-	11,223
Supplies	11,769	-	11,769
Gas and oil	618	-	618
Contractual services	19,361	-	19,361
Telephone	1,327	-	1,327
Radio	1,750	-	1,750
Printing and publishing	1,395	-	1,395
Dues and subscriptions	280	-	280
Insurance	11,316	-	11,316
Repairs and maintenance	60,969	-	60,969
Utilities	1,834	-	1,834
Rent	12,000	-	12,000
Equipment rental	66,100	-	66,100
Training	1,765	-	1,765
Other	2,362	1,422	3,784
Capital outlay	17,064	-	17,064
TOTAL EXPENDITURES	282,341	1,422	283,763
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,808	(1,322)	29,486
OTHER FINANCING SOURCES			
Transfer in	16,315	-	16,315
NET CHANGE IN FUND BALANCES	47,123	(1,322)	45,801
Fund balances, beginning of year	198,950	2,466	201,416
Fund balances, end of year	\$ 246,073	\$ 1,144	\$ 247,217

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Net change in fund balances - governmental funds	\$ 45,801
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	59,050	
Depreciation expense	<u>(1,968)</u>	
Excess of capital outlay over depreciation expense		57,082

The Internal Service Fund is used by management to charge the costs of maintaining vehicles to the General Fund. The net expense from governmental activities accounted for in the Internal Service fund is:

Motor pool	<u>(48,727)</u>
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Change in net assets of governmental activities	<u>\$ 54,156</u>
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See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

Proprietary Fund

STATEMENT OF NET ASSETS

June 30, 2006

	<u>Governmental Activities Internal Service</u>
ASSETS	\$ -
LIABILITIES	<u>-</u>
NET ASSETS	
Unrestricted	<u><u>\$ -0-</u></u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

Proprietary Fund

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS

Year Ended June 30, 2006

	Governmental Activities
	<u>Internal Service</u>
OPERATING REVENUES	
Equipment rental	\$ 66,100
OPERATING EXPENSES	
Gas and oil	2,216
Insurance	10,571
Repairs and maintenance	10,812
Depreciation	76,683
Other	<u>1,230</u>
TOTAL OPERATING EXPENSES	<u>101,512</u>
OPERATING LOSS	(35,412)
NONOPERATING REVENUES (EXPENSES)	
Gain on sale of equipment	<u>3,000</u>
LOSS BEFORE TRANSFER	(32,412)
TRANSFERS	
Transfer out	<u>(369,748)</u>
CHANGE IN NET ASSETS	(402,160)
Net assets, beginning of year	<u>402,160</u>
Net assets, end of year	<u>\$ -0-</u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

Proprietary Fund

STATEMENT OF CASH FLOWS

Year Ended June 30, 2006

	Governmental Activities Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from other funds	\$ 66,100
Cash paid to suppliers	(31,461)
NET CASH PROVIDED BY OPERATING ACTIVITIES	34,639
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfer out	(56,315)
Proceeds from sale of equipment	3,000
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(53,315)
NET DECREASE IN CASH	(18,676)
Cash, beginning of year	18,676
Cash, end of year	\$ -0-
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (35,412)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	76,683
(Decrease) in accounts payable	(6,632)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 34,639

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The DeWitt Area Emergency Services Authority was created in 2001 by a joint venture agreement between the Townships of Olive and Riley and the City of DeWitt. Each municipality appoints two (2) members to the Board. The Fire Chief oversees the day-to-day operations of the Authority.

The Authority has no stockholders and all monies received are to be used for certain specified purposes in accordance with Public Act 7 and the joint venture agreement between the constituent municipalities.

Each municipality is required to contribute quarterly to the annual budget of the Authority based on an agreed upon funding formula. The total budget is spread to the three (3) municipalities based on weighted averages of the following: State Equalized Value, Population, Occupied Households, and number of runs within each unit's boundaries. Other responsibilities, including procedures for termination of services, are explicitly detailed in the joint venture agreement.

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the DeWitt Area Emergency Services Authority. The DeWitt Area Emergency Services Authority is considered a "joint venture" of the constituent municipalities.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). Interfund activity has been eliminated in the preparation of the government-wide financial statements.

The statement of activities presents the direct functional expenses of the government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Authority's individual major fund and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds.

The major fund of the Authority is:

- a. The General Fund is the used to account for all financial resources to be used for fire protection services provided to each participating municipality.

3. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus - continued

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Capital Assets

Capital assets include vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$3,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Vehicles

5 - 10 years

6. Interfund Transactions

During the course of normal operations, the Authority has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

7. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

8. Budgets and Budgetary Accounting

The General Fund budget shown in the financial statements was prepared on a basis not significantly different than the basis used to reflect actual results.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to July 1, the budget is legally adopted on a fund level through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities, or any revisions that alter the total expenditures of the fund or activity must be approved by the Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Board does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Board during the year. Individual amendments were appropriately approved by the Board as required.

NOTE B: CASH

DeWitt Area Emergency Services Authority's deposits consist of checking accounts, which are reported as cash on the financial statements.

In accordance with Michigan Compiled Laws, the DeWitt Area Emergency Services Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH - CONTINUED

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits of the DeWitt Area Emergency Services Authority are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the DeWitt Area Emergency Services Authority.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2006, the carrying amount and bank balance for the checking accounts as reported on the financial statements were \$252,560 and \$256,555, respectively. As of June 30, 2006, the Authority's accounts were insured by the FDIC for \$200,000 and the amount of \$56,555 was uninsured.

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental activities				
Capital assets being depreciated				
Vehicles	\$ 966,241	\$ -	\$ 12,849	\$ 953,392
Building improvements	<u>-</u>	<u>59,050</u>	<u>-</u>	<u>59,050</u>
Total capital assets being depreciated	966,241	59,050	12,849	1,012,442
Less accumulated depreciation for:				
Vehicles	(536,125)	(76,683)	(12,849)	(599,959)
Building improvements	<u>-</u>	<u>(1,968)</u>	<u>-</u>	<u>(1,968)</u>
Total accumulated depreciation	<u>(536,125)</u>	<u>(78,651)</u>	<u>(12,849)</u>	<u>(601,927)</u>
Capital assets, net	<u>\$ 430,116</u>	<u>\$ (19,601)</u>	<u>\$ -0-</u>	<u>\$ 410,515</u>

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to General Fund from:
Internal Service Fund

\$ 16,315

Transfers out do not equal transfers in the financial statements because a portion of the amount transferred from the internal service fund to the General Fund included capital assets, net of accumulated depreciation, which is not reported in the fund level financial statements.

NOTE E: RISK MANAGEMENT

The Authority carries commercial insurance for the risk of loss due to workers' compensation claims.

The Authority also participates in a State pool, the Michigan Municipal Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Authority has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE F: RELATED PARTY NON-CANCELABLE OPERATING LEASE

The DeWitt Area Emergency Services Authority has entered into a ten year, non-cancelable long-term lease with the City of DeWitt, a related party organization, for the use of the fire station. The total rental payments made to the City of DeWitt for the year ended June 30, 2006, were \$12,000. Future minimum payments are as follows:

<u>Fire Station</u>	
2007	\$ 12,000
2008	12,000
2009	12,000
2010	12,000
2011	12,000
2012	<u>6,000</u>
TOTAL PAYMENTS	<u>\$ 66,000</u>

NOTE G: FUND EQUITY RESERVES

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific use.

The following is the fund balance reserve as of June 30, 2006:

Nonmajor governmental funds	
Reserved for contributors' purposes	<u>\$ 1,144</u>

NOTE H: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

The following is the net asset restriction as of June 30, 2006:

Governmental activities	
Restricted for contributors' purposes	<u>\$ 1,144</u>

NOTE I: SUBSEQUENT EVENT

Subsequent to year end the Authority entered into an agreement to purchase a new fire truck for approximately \$219,364.

REQUIRED SUPPLEMENTARY INFORMATION

DeWitt Area Emergency Services Authority

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
REVENUES				
Intergovernmental				
State	\$ -	\$ 56,700	\$ 59,050	\$ 2,350
City and Townships	249,200	249,200	249,200	-0-
Interest	-	600	893	293
Other	400	3,200	4,006	806
TOTAL REVENUES	249,600	309,700	313,149	3,449
EXPENDITURES				
Current				
Salaries and wages	81,100	68,000	61,208	6,792
Fringe benefits	15,600	12,400	11,223	1,177
Supplies	9,400	11,900	11,769	131
Gas and oil	-	-	618	(618)
Contractual services	16,200	20,000	19,361	639
Telephone	1,300	1,500	1,327	173
Radio	600	600	1,750	(1,150)
Conference and travel	2,000	1,000	990	10
Printing and publishing	2,000	1,800	1,395	405
Dues and subscriptions	500	300	280	20
Insurance	12,500	16,500	11,316	5,184
Repairs and maintenance	4,000	60,700	60,969	(269)
Legal Fees	1,500	2,000	1,834	166
Rent	12,000	12,000	12,000	-0-
Equipment rental	66,100	66,100	66,100	-0-
Training	1,000	900	775	125
Other	4,000	3,000	2,362	638
Capital outlay	19,800	17,800	17,064	736
TOTAL EXPENDITURES	249,600	296,500	282,341	14,159
EXCESS OF REVENUES OVER EXPENDITURES	-0-	13,200	30,808	17,608

DeWitt Area Emergency Services Authority

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
OTHER FINANCING SOURCES				
Transfer in	\$ -	\$ -	\$ 16,315	\$ 16,315
Transfer out	-	(30,000)	-	30,000
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(30,000)	16,315	46,315
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	(16,800)	47,123	63,923
Fund balance, beginning of year	198,950	198,950	198,950	-0-
Fund balance, end of year	<u>\$ 198,950</u>	<u>\$ 182,150</u>	<u>\$ 246,073</u>	<u>\$ 63,923</u>